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AMERICAN MANAGEMENT ASSOCIATION

BOARD OF DIRECTORS



# MANAGEMENT REVIEW

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## In This Issue

### Toward Science in Management,

By JOSEPH H. BARBER.

### The Management Index

#### Abstracts and Descriptive Notes of Company Activities Including

Financial Management

Production Management

Insurance

Public Relations

Office Management

Marketing Management

### Survey of Books for Executives

**Operating Aspects of Industrial Mergers**, WILLIAM R. BASSET, in collaboration with JOHNSON HEYWOOD.

**Wage Methods and Selling Costs**, ANNE BEZANSON AND MIRIAM HUSSEY.

**Work Routing in Production**, JOHN YOUNGER.

**Market Organization**, ROLAND S. VAILE and PETER L. SLAGSVOLD.

**New Junior Business Training**, FREDERICK G. NICHOLS.  
and others

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# The MANAGEMENT REVIEW

December, 1930

## Toward Science in Management \*

By JOSEPH H. BARBER, Assistant to President  
Walworth Company

SCIENCE evolves in management through the application of research.

The purpose of research is to discover the essential elements, to explore their possible useful qualities, and then to invent some desirable recombination of those same elements. Thus the processes of research add new machines, materials and methods; they subtract much of the old drudgery; they multiply honest profits and finally they assist in dividing the greater wealth more equitably among a larger number.

In business, as in natural life, the elements themselves are simple. There are but twenty-six letters in the alphabet, twenty-four hours in the day, three primary colors and only twelve chromatic notes in the scale. Yet the twenty-six letters of the alphabet have yielded us all the works of Shakespeare and such a gem as Lincoln's Gettysburg Address; the twenty-four hours of the day have been enough to develop a Roosevelt and an Edison; the three colors with their artful combinations, are enough for a Raphael to paint his "Madonna"; and the limited notes of the scale are yet sufficient for Beethoven to produce his great Symphonies.

Of course, not all combinations of the same elements spell either business or private success. We may choose to delight in dime novels, to kill time, to put on hideous war paint or to specialize on jazz or burlesque. The degree of benefit to be gotten out of our combination of the same simple elements is directly related to the degree in which we possess the necessary "know how" and inventive genius. In constructing harmonies, for instance,

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there are basic "rules" which can be established and applied in the production process and the semi-conscious reliance upon these rules relieves the creative faculties of dead weight. There must be (1) "pattern," (2) melody, (3) bars, (4) chords, (5) rhythm. As the "pattern" is expressed through the melody, set off and systematized by periodic bars, it is strengthened by chords, and rendered compelling by a subtle rhythm. Knowing the tests by which his completed work will be appraised, the master can direct his inventive genius toward creating step by step a masterpiece that will be acclaimed by those who know the rules.

After all, the elements we have to deal with are easily comprehended. It is ours but to choose how we shall combine them into our own masterpieces for our own reward. In every field of human activity we find progress dependent upon an establishment of recognized standards or rules that condense the experiences of ages into handable form and that facilitate artful recombinations of elements into masterful productions. In degree as we do this in business, we are evolving science in management.

### The Elements Common to All Enterprises

While the elements of business are themselves simple enough, their combinations have unending possibilities and we must confine ourselves now to those fundamentals and rules of success that relate to business generally.

In any business, we need to know the rules by which to judge (1) men, (2) materials, (3) motions, (4) markets, (5) money. It is men, not machines, that make business. These men do not just buy and sell material; to earn a profit they "add value," converting what was not previously desirable for itself into a product that will satisfy "wants." The process involves motions of men and of materials; these motions are to be defined in terms of quality, quantity, and speed. The market for the product will depend not solely upon unsatisfied "wants" or the willingness to buy, but also upon the ability to buy. Money (that is, spendable dollars) will be evaluated in a dual capacity (a) as receipts for past services and (b) as certificates to command future services.

All of us are inclined to think that our business is unique; that it is controlled by factors that are not found in any other industry. I am confident that this thought is unsound. Although, naturally, all industries differ, at the same time there are certain fundamentals that are common and may be treated in a similar way.

### Toward Science in Dealing With Men

In the field of personnel, where judgment is easily swayed by the emotions, it is frequently necessary to bring ourselves "back into the line" of clear economic thinking. A twenty-dollar-a-week clerk is equivalent to a \$10,000 machine. A fifty-dollar-a-week salesman is equivalent to a \$25,000 machine.

Multiple-copied appropriation forms would have to have a quartette of executive signatures before the machines could even be purchased. Speedometers, tally guages and a full quota of operating and maintenance attendants will constantly stand guard to regulate the performance of those machines and prevent their idleness. Have we equal speedometers, tally guages and protective assurance for the performance and against the idleness of our investment in men?

Probably the primary "rule" applicable in our dealings with Men is that they are men—men appealed to as we are by the same motives of profit, utility, fear, pride and pleasure. A worker wants more than just a day's pay. He desires justice, status and opportunity as well. He wants to live in its truest sense, and will work most efficiently for us when we accommodate our policies, plans and procedures to his natural habit and gait. Long ago dairymen learned that cows must be well treated if they are expected to produce milk of the right quality and in the right quantity.

A second most important rule in this field is that there should be subdivisions of the work to the point where most of it will be brought within the compass of performance by people of average ability. It is unfortunate for most of us that we do not project a plan according to the mentality of the projectee. We forget that half of the people in the United States are under twenty-six years of age and when an executive has reached forty, four out of five are younger than he is. As a natural consequence, it becomes a primary task in business to simplify all lines of routine activity so that the work may be done without burden by employees of average ability.

A third important rule is that men must be classified as to type. As to their mental capacities whereby they acquire their knowledge for later performance, one may say that roughly there are three types of learners: the eye-minded, the ear-minded and the touch-minded. The eye-minded learn from books, tabulations, diagrams and the like and can work most easily from written instructions, operating schedules and task blueprints. The ear-minded learn most quickly from lectures, conversations and interviews, connecting the sense of the thought with the speaker's expression or emotion at the time of utterance. The touch-minded person does not learn quickly in any event but only laboriously "gets the feel of it" after a period of travail—but then it sticks hard. These characteristics make for three corresponding temperamental types, Mr. Show-Me, Mr. Go-Getter, and Mr. Carry-On. Mr. Show-Me wants to see tangible results, to know at night just how much he accomplished that day—so put him in the production department. Mr. Go-Getter is restive, always on the go, wants to "see the man himself and get it settled"—so put him in the sales department. Mr. Carry-On who is ill at ease wherever things jumble all together and who has to take time to figure it all out, is most comfortable when striving for perfection in

a task he has learned to love—well, he's just an A-1 "old reliable" for the office, financial and administrative departments.

The human factor is of overshadowing importance and, whether by some rule-of-thumb, ultra-scientific, or just subconscious standards, it is still of prime importance that we have means for judging men and for justly evaluating their performance.

### Toward Science in Utilizing Materials

When we come to the matter of Materials, we may in large part reduce our analysis to a quantitative and qualitative basis. This is familiar ground and needs little comment here. Chemists and research departments analyze for desirable quality. Engineers and draftsmen lay out designs and specify particulars. Inspectors test the finished product and certify that the specifications have been met. When the product itself goes into inventory the factors are less tangible; the necessary amount of inventory, the variations of its assortment and the timing of replenishing orders are matters for continuous study. Yet even here methods are becoming well established, balance of stores card operation is familiar to many, and the setting of "economic lot" standards is a practicable routine.

It has been said that the test tube of today creates the factory of tomorrow. Research of materials, their chemistry, their structure and their possible recombination into new products continues with never ending fascination to the onlooker, but frequently with increasing concern on the part of the business man whose toes are being tramped upon. In self-defense many an enterpriser is forced to counter moves. When he begins to survey possibilities with respect to his own materials he finds opening up before him several avenues of approach to the solution of his problems. He sees that new products may be subtracted from old materials; that new materials may be added to old products; that a new process may be added to improve old products; and that even brand new materials can be evolved.

For instance, we used to have the old material, petroleum. Then the oil industry realized that gas also could be derived from the same oil wells. And already there is a further commercial experiment under way to develop "dry ice" from the gas that comes out of the wells. Every car driver is familiar with the values gotten when ethyl is added to gasoline. And the addition of a single material, nickel, to cast iron, produces virtually a new product out of an old product. Sometimes the old product simply needs a new process. Wood pulp graduated from the mere newsprint class to produce cellulose, and now we find finished rayon commercially displacing expensive silk. Brand new materials are themselves working revolutions in business procedures. Tungsten steel with its 25 per cent increase in the speed of cutting metals virtually reduces the machinery necessary for pro-

ducing products by the same 25 per cent, and will actually do so when adequate machinery is installed. Cast iron radiators in hotels, apartments and homes, may presently be displaced by radiators more compact and more lightly made out of pressed steel.

The purchasing agent of earlier days is becoming the procurement engineer of the future. His job it will be to search out sources of materials that shall better serve our ends and that shall bring these materials together in such quantities, at such times, and in such places as will serve the factories best in evolving their new and improved products for an increasingly intelligent buying public.

### Toward Scientific Control of Motions

Correspondingly, in those matters pertaining to Motions, whereby energy is expended over a period of time, scientific procedures are none-the-less essential. As brought out earlier, production involves motions, both of men and of materials; and motion itself is measurable in terms of the quantity of it and the speed with which that quantity is developed.

The effort involved to secure a certain quantity and speed of motion represents the "added value" cost of the product over and above the cost of the raw materials and a series of nice calculations may be necessary to determine where the economical balance lies. Shall we permit workers a greater quantity of time so that there will be less scrap wastage of raw material and less wear and tear? Or, will it be cheaper to get the same product finished (1) with the same quantity of motions, (2) but at a faster speed, (3) entailing greater scrap material losses, but (4) with a more than compensating reduction of carrying charges on the investment in raw material? Or yet again, can we through time and motion study devise a method for making that same product (1) without such a great amount of motion, (2) at a safer speed, (3) without excessive scrap losses and (4) still gain the same reduction in carrying charges? Motion, and all that it involves, is the economic balance wheel that shall be gaited at the natural speed that will reflect the most profitable equilibrium between all the factors of cost.

The executive finds his judgments of vital matters here greatly facilitated by the establishment of fixed standards to which he can refer for necessary calculations and comparisons. For instance, factors are calculated to reveal the number of work-hours required to cast, machine, assemble and test various products. These production ratios will all be on a per-ton basis in order that the sales tonnage estimates may be translated into operating factors. Many of the detail standards are related to individual departments of local units of the company and the administrator simply needs to know

that they exist, that they are kept up to date and are in agreement with the summary measures which he can conveniently handle.

### Toward Science in Marketing

Until recently, science has not been evolving in the field of Markets so rapidly as elsewhere. Surely progress has not lacked for opportunity. Manufacturers find a tendency for their marketing costs to rise even in the face of specific counteractive measures. Competitive sales effort is probably more intense than ever before. The enterpriser faces the task of marketing the output of mass production without too great a sacrifice in price or without too extensive concessions in the form of free services. Surely here is a field where research may find profitable rewards and where managers can apply their trade effectively.

There are two ways to cut distribution costs. One is to sell more goods without increasing the total amount spent for distribution. The other is to spend less money to sell the same volume of goods. Either way or both offer free play for the introduction of practical yardsticks as a device of administration. The costs of selling may be most easily measured as percentages of the most nearly related sales volumes. That is, warehouse expenses should be related only to sales made out of the warehouse stock. Similarly a given type of jobbing establishments seems to sell an aggregate of \$10,000 sales per year for each employee on their payroll roster, and can check their overhead accordingly.

With the integration of business enterprises that has been developing and seems destined to continue, it becomes more and more important to classify the types and sizes of customers, to discover how many customers of one type and size can be handled by a given type of salesman, and how many customers of another type and size can be handled by another type of salesman. It is clear in a certain business that a salesman should earn forty times his salary and expense. Another manufacturer, who sells to jobbers, is confident that a normal salesman should properly care for twenty-two jobber accounts. All his best salesmen do, and those that don't handle that many have excessive costs.

### Toward Scientific Handling of Money

There is left for consideration the matter of money standards. Spendable dollars will be evaluated in their dual capacity (a) as receipts for past services, and (b) as certificates to command future services. Col. Leonard P. Ayres, makes interesting comment in this general direction in the following:

"In a long period of falling prices any regular payment of a fixed sum, like the annual instalment on a mortgage, is harder to make each year than it was the year before. The rent is harder to pay and the taxes are more difficult to meet. If one is

a farmer and pays \$200 a year on a mortgage it takes only 100 bushels of wheat to meet the payment when the price is \$2 a bushel, but it takes 200 bushels when the price drops to \$1 a bushel. If one is a manufacturer and buys raw material to make into a finished product, the value of the material shrinks while being made up and one must sell at less than one expected to or take a smaller profit than one had intended. The rent and the taxes of the factory are in reality paid in units of the articles manufactured and each year it takes more and more of these articles to pay them."

It is seldom possible to lay down a financing formula which can be adhered to because of the difference in conditions which are presented to the responsible executive. Suffice it to say that he will apportion his investment and control his outgo and income so as to maintain financial equilibrium. He will recognize that it is the height of extravagance to refrain from expenditures of money because of a false sense of economy; that it is, on the other hand, the wisest sort of procedure intelligently to spend money in order to achieve worth while objectives.

His general rule for developing the control yardsticks will be this: that from two known terms, the third, or unknown term can be found;—the *ratio* of the one to the other may be the normal "constant" to watch. Greater attention has been directed toward the study of income-statement ratios. These include the ratios of sales to total assets, of merchandise inventories to sales volume, of net worth to sales volume, and of earnings to total assets. The ratio of sales to total assets shows the vitality or activity of fixed assets. The ratio of inventory to sales measures the size and effectiveness of the inventory. The ratio of net worth to sales reflects the activity of the stockholders' investments. There are many others and these financial ratios could be discussed in great detail if time permitted.

### Toward Science in Management

Perhaps enthusiasm has led us to over-state the just claims to be derived from science in management. We frankly admit there is an air of pleasing finality about figures, deftly arranged, that fails to indicate that the data set forth is even yet too limited to be of final value. More information is needed about our economic life, more facts on which it will be possible to base judgment and plan action to maintain our future balance and progress. For in some respects, many of the statistical standards we now have to use are like painted rubber yardsticks. They look more dependable than they are.

Yet just as frankly do I urge the viewpoint that there is something in it in spite of current limitations of available data. It is still true that the data at hand are ahead of the "state of the art" so far developed for utilization of that data. Anyhow it is better to be incomplete in an important matter than to wait for a 100 per cent precision in an unimportant matter. To learn how to use what we can today is to lay the foundation for tomorrow's progress.

**THE MANAGEMENT INDEX****Abstracts and News Items****GENERAL MANAGEMENT****Can Prosperity Be Managed?**

The president of the American Telephone and Telegraph Company traces the progress in stabilizing business since the depression of 1907. Progress has been made in mitigating the evils of excessive competition. Because of studies made which anticipated the recent depression, the Bell system has met the problems incident thereto better than would otherwise have been possible. In the effort toward stabilization the Government's fact-finding agencies, its scientific forces and its statistical forces can be and are of the greatest assistance because the one hopeful method toward the control of business depressions is the current study of the elements of current business and the use of the results of such study in the making of business decisions. By Walter S. Gifford. *Saturday Evening Post*, Nov. 8, 1930, p. 124.

**Measuring Management**

Any proposal to measure the results of men's efforts must proceed on the following bases:

1. The object or objects to be measured must be defined in terms of their specific characteristics—particularly those characteristics which relate to their functional uses.
2. The units of measurement employed should relate to the characteristics of the things to be measured and should be commonly accepted by those who measure or deal with the results of measurement.

3. The means or instruments of measurement must be created and standardized.

4. The results of measurement should be coordinated and formulated for use in comparisons on commonly accepted standardized bases.

Management in relation to industry is concerned with property and people. Property is defined in terms of capital wealth as expressed in the current medium of exchange. With respect of property it is suggested that the object of management is:

1. To establish and maintain the best financial structure adapted to the business requirements.
2. To make a reasonable profit on the capital invested.

With respect of the employees of industry, the object of management may readily be conceived to be:

1. To establish and maintain those relationships with employes which will best promote the growth of the character of each individual.
2. To establish and maintain those conditions of employment which promote:
  - a. A sense of security—personal and as members of a group;
  - b. The satisfaction of the ego—that thing which drives us to work when we do not have to, which causes us to want to create something and to seek appreciation and approval;
  - c. Loyalty to a common cause.
3. To pay just wages for work done.

Management then is concerned with the

growth of capital wealth and the growth of personalities into better individuals, better members of families, better members of the organization, and of the community and society. Obviously the measurement of the results of management with respect of capital wealth may be dealt with quantitatively.

The writer at one time was chief executive of a number of plants and established for each a basis of measurement of management which proved very helpful. There is given a monthly report of one of these plants. By Walter Rautenstrauch. *Bulletin of the Taylor Society*, Aug. 1930, p. 198:4.

#### **Business Policing Itself Through Better Business Bureaus**

Over a million dollars a year are now subscribed by over 10,000 business concerns to the work of Better Business Bureaus. Do the results justify this?

The effect of Bureau work on business follows:

1. It helps to reduce unfair competition and to promote good-will among legitimate competitors;
2. It tends to lower selling, and especially advertising, costs by increasing public confidence in advertising;
3. It helps to educate the public to an understanding of the integrity of purpose and practice of honest business;
4. It increases the financial resources available for legitimate business and investment by promoting thrift and by reducing fraud, in both the merchandise and financial fields;
5. It gives the employer an additional opportunity to be of recognized service to his employees.

Better Business Bureaus are already doing in a large way the job of business policing itself. Their work has been aptly described as "confidence" insurance, and they have justified many times over the time and money spent on them.

Bureaus have perfected a special technique and procedure to accomplish results

by analyzing problems from the viewpoint of what is fair to the public. Their fundamental standard is accuracy and fair play.

As more business men learn about the work, the efforts of the Better Business Bureaus will increase in effectiveness. By John Richardson. *Harvard Business Review*, Oct. 1930, p. 69:9.

#### **12 P. C. Business Gain by Spring Predicted**

David M. Friday says that the bottom of the business recession in this country was reached in October and that there will be a 10 to 12 per cent recovery between now and spring. Mr. Friday believes normal conditions will only return on a gradual basis and that the full extent can only be attained when European political conditions improve. *Journal of Commerce*, Nov. 18, 1930.

#### **The Position of Factory Executives Under Rationalisation**

In the newer industrial countries, where rationalisation has made most headway, technical and administrative men have usually a higher status than in England. One of the questions which needs consideration in that country is whether rationalisation necessarily leads to a reduction of executives concerned with policy, and if so, whether this is a wise tendency. Another point is whether the type of manager who was a general co-ordinator of a factory staff will disappear as a result of functionalized administration. By Walter Meakin. *Industrial Welfare and Personnel Management*, October, 1930, p. 341:2.

#### **What's Ahead in Business?**

Among the influences which are at present retarding recovery are the following: world-wide major depression; large international government debts; the heritage of a large volume of instalment contracts and, more important, production and distribution in certain leading indus-

tries keyed to instalment buying; the aftermath of the large volume of new stock issues in 1928-29, in part being carried in the form of bank loans on securities; the effects of the collapse of stabilizing pools and systems of control in various products, such as rubber, silk, wool, coffee, copper, sugar, and wheat.

Favorable factors include: current low money rates; improved national credit machinery in the Federal Reserve System; improved international credit machinery in the Bank for International Settlements; moderate inventories of retailers; substantial decline of retail prices; relatively stable wage rates; few labor troubles; and the strong financial conditions of the large industrial corporations.

In conclusion, unless some unpredictable untoward development arises, it ap-

pears that the business upturn, which is inevitable sooner or later, may be imminent and will be in progress by February or March, 1931, but that approximately "normal" business is not to be expected before the end of 1931, and possibly not before the first quarter of 1932. By Warren M. Persons. *Barrow's*, November 10th, 1930, p. 3:2.

#### General Administrative Organization and Control

The principles and practices of the Kendall Company (textiles) including the organization plan which provides for promotion of constructive leadership, policy development, educational effort, accounting and budgetary control, research, and flexibility for expansion. By Frederick L. Lamson, *Taylor Society Bulletin*, June 1930, p. 138:8.

## FINANCIAL MANAGEMENT

### Credit Expansion, 1920 to 1929, and Its Lessons

Mortgage bonds, building and loan financing of home ownership and instalment selling will doubtless all prove useful and sound methods of financing. Their increasing use and their extension to income levels hitherto denied their advantages may well be justified by the increasing efficiency of credit rating, the new rapidity of communication and movement, and the rising intelligence and responsibility of the general public. The essential point here is that during the period of introduction of these new financial devices and while the newly opened reservoirs of credit are filling, we have a temporary increase in the nation's purchasing power. The nation can buy only such volume of goods as is covered by its current income. The check to expansion is sharp and is intensified by the excesses inevitably associated with periods of over-rapid expansion. Such a course

of events is clearly proven by the evidence as to credit expansion in the period 1920 to 1929. The depression into which the nation fell in the latter year was undoubtedly due in part at least to these developments in our complicated economic structure. Manifestly these events are too recent and our records too incomplete to attempt to measure their relative importance as compared with other factors of great weight. But there can be no doubt that their influence was large. By Charles E. Persons. *The Quarterly Journal of Economics*, November 1930, p. 95: 36.

### The Financial Plan of Department Stores

In making this study statements of 88 and 90 companies were examined for 1925 and 1927, respectively. Thirty-four of these companies in 1925 and 33 in 1927 used funded debt, usually secured by the

pledge of owned fixed assets in the form of land and buildings. These constituted a group of companies using one type of financing. The remainder of the companies, namely, 54 in 1925 and 57 in 1927, made no use of long term borrowed capital, and, as a rule, rented their real estate. These companies constituted a group using another type of financing. Typical average ratios for department stores according to the two dominant types of financial plans found in the industry are presented in this summary. The differences in the position of the two groups of companies and changes in the ratios between 1925 and 1927 are discussed.

The proportion of capital provided by short term credit increased for both groups of enterprises from 1925 to 1927. Likewise the capital obtained from long term debt increased from .092 to .140 for companies using such financing. Thus both short term and long term creditor capital increased; as a consequence there was a reduction in the portion of capital provided by stockholders. *Bulletin No. 32, Bureau of Business Research, College of Commerce and Business Administration, University of Illinois, 1930, 37 pages.*

#### Planning For Profits

Making a profit has become distinctly a scientific matter. Some of the fundamentals of the type of management which definitely plans for profits include: proper organization; leadership; definite planning including forecasting and budgeting; a system of cost accounting to locate inefficiencies; incentives to provide that each man from the common laborer to the highest executive receive monetary remuneration in as nearly exact proportion to his contribution to the business as is possible; the accounts should provide some means of developing the trends of all important phases of the business.

With these factors properly provided the management can sit back and deliberately plan for profits. External conditions which may prevent profits must be

studied and if possible influenced or changed. One of the major influences beyond control is competition. Uniform accounting methods developed through a cost association within the industry can do much to eliminate a very potent element of external danger. By D. A. Wilcox, *Chemical Markets*, October 1930, p. 375:4.

#### Costs For Price Making

A formula for price making is suggested, which is based on the convenient premise that our commercial departments have for sale not ships and sealing wax and butcher knives, but hours of productive labor. Fixed expense, profit, manufacturing cost and raw material cost are the elements which determine the maximum and minimum prices at which any item may be sold with profit to the concern. The price maker is circumscribed by the limitations of his potential market, his competitors' prices, the skill of his own manufacturing organization and the manufacturing capacity of his own plant. Within the square of these limitations he must find the price point at which his company can obtain the largest profit for the product he sells. By Charles C. James. *Better Enameling*, September, 1930, p. 27.

#### Some Important Points in Burden Distribution

The Production Center Method and the Direct Labor Method of burden distribution are compared. In sixteen years of industrial cost system installations, the author of this article has had the opportunity of supervising the establishment of production center burden applications in many plants. To his knowledge, not one of those manufacturers returned to the old inaccurate methods. Therefore, it is reasonable to believe they found the results sufficient to warrant the small amount of extra clerical effort required. By Albert E. Grover. *N. A. C. A. Bulletin*, Sept. 1, 1930, Sec. 1, p. 1653:16.

## Insurance

### The Amount of Use and Occupancy Insurance to Carry

Damages due to fire in the key department of a manufacturing plant may be only a small fraction of the loss which is caused by the incapacity of the producing unit. For this reason it is very unsound to rely on a method of computing the use and occupancy coverage as an arbitrary percentage of the fire protection carried, especially in view of the fact that most policies are worded in such a way that a 100 per cent coinsurance requirement is included. If the insurance is to reimburse the assured for all the earnings less those expenses and charges that can be dispensed with following a shut-down, fire use and occupancy values should be based on a total of the following items: net profits, salaries of executives and indispensable employees, interest on borrowed capital, taxes, rentals, advertising and publicity, insurance premiums, repairs and depreciation, heat, light, power, royalties, professional fees, telephone, telegraph and other fixed expense. The figures used to represent these values should be based on expected experience for the period the policy is to cover and in order to compute the *per diem* amount the total should be divided by three hundred. The same method can be followed in determining the proper amount of use and occupancy to carry for steam boiler, engine, fly-wheel and electrical machinery. Smith Insurance Service, Inc., *Clients' Bulletin*, October, 1930.

### Lonsdale Advocates Jobless Insurance

Unemployment insurance was advocated in a paper by John G. Lonsdale, president of the American Bankers' Association, before a recent convention of the International Association of Life Underwriters.

"Well-managed industry long ago learned the wisdom of insuring regular payment of dividends by holding back a part of its earnings as surplus," the paper

stated. "The establishment and maintenance of an employment fund would not be a radical change in policy, but rather an enlargement of the old policy.

"Here again it would seem the insurance company and life underwriter, if granted legal authority now lacking, can come to the rescue and help set up provisions for a fund to be held in trusteeship—a fund that will keep the wolf from the door in times of distress and assure the employe and his family that they will not be wards of the community. Such a fund, available at a time when most needed, would prove a great social and business stabilizer, encouraging honesty and thrift, and reducing crime." *N. Y. Times*, September 26, 1930.

### Constructive Insurance Management

It is doubtful whether many bankers or credit managers in investigating a client inquire whether he carries business interruption insurance. The client may, as a borrower, measure up as a credit risk, he may also have his properties and stock insured against every possible property damage contingency, such as fire, explosion, hail, earthquake, water damage or riot. But if he carries no business interruption insurance, more commonly known as Use and Occupancy, he may be forced into bankruptcy. Case after case can be cited where an assured has been fully protected with property damage insurance and has still suffered bankruptcy because his earnings have been interrupted by a fire, or a windstorm, and there has been no insurance to replace these earnings. If insurance agents sold their wares as they should, and as they are constantly urged by their company officials, such a situation could not arise. The model insurance agent of today, and he is growing in number, is one who sits down with an assured and examines every policy in force. He, then, carefully studies the assured's plant, its values, its exposures and recommends the proper coverages for his client to carry. If

he is loyal and intelligent, he will never recommend superfluous coverages and he may in some instances even suggest cancellation or reduction of unnecessary insurance. Agents of this type are really insurance counselors or insurance doctors and are of value to the credit manager. The credit manager can well link arms with this type of agent. He can exhibit to such an insurance doctor the loans of credit he is extending and ask him just what forms of insurance he should require his client to

carry before he extends or increases a line of credit. It may be necessary to call upon insurance officials for advice. Possibly some home office specialist will have to make a visit. All of this is a means to an end and regardless of the time or expense involved the credit manager and the banker can well afford to survey every insurance contingency that might affect a line of credit. By Clarence T. Hubbard. *Credit Monthly*, July, 1930, p. 16:3.

## OFFICE MANAGEMENT

### Organization: *Job Analysis, Employment, Pay, Tests*

#### **Vote Against Cuts in Office Salaries**

New England industrialists favor fewer working days for office employees rather than the reduction of salaries as an economy measure. At a meeting of the Associated Industries of Massachusetts the employers unanimously favored the continuation of the present level and the practicing of economy in time worked. The five-day week for office workers was favored by several speakers. *New York Times*, Oct. 23, 1930.

#### **Office Measurement and Efficiency Standards for Clerical Help**

Standards work makes necessary the improvement of methods and procedures in the office, with the saving of much expense in the process. It keeps a record of individual, or sometimes of group, production, and thereby steps up the output materially just because the employees know that the record is being kept. Finally, it makes possible the payment of incentive compensation, which is better for the office and for the employee alike. Standards of output—efficiency standards—are an absolute essential for the really economical management of the office and its clerical help. The basis of standards; the benefits of standards; application of standards;

scientific determination of standards; and the procedure in setting standards are some of the topics discussed. By Arthur Van Vlissingen. *N. A. C. A. Bulletin*, Oct. 1, 1930, Sec. 1, p. 161:20.

#### **When You Cut Staff—How to Maintain Efficiency**

When ready to adopt a cost cutting plan management should have before it a list of every item of work for which each department and each individual in that department is responsible. The first consideration should be what unprofitable operations can be cut, rather than what employees can be dismissed. Sometimes whole departments can be eliminated. Every job should be broken down into its parts, every record scrutinized from the standpoint of its functions and necessity and every operation judged as to its relation to the whole. Decision of which employee to dismiss should follow and should be based on an analysis of the adaptability and efficiency of the individual employees. Each member of a department or group may then come under scrutiny, the weakest and those whose work had diminished the most being considered first, and it should then be determined by a process of elimination whether their duties can be allocated to the

other members of the group. Above all, reduction of staff should be based on the firm policy of maintaining efficiency. By C. W. Cozens. *Business*, Oct., 1930, p. 159:3.

#### Measuring Office Machine Output as a Basis for Wage Incentives

There is so much unnecessary work performed in an office that it is not fair to set a standard without taking in the total situation. The flow of work for the entire organization must be considered. A study of the job elements disclosed by

job analysis will point out many that can be eliminated, combined, or performed in a more simple manner. The next step is to determine the unit of work that is to be measured. A specimen report is given for typewriting, duplicating machines, calculating, statistical machines, and dictating machines. Consideration is next given to determining the value of the unit, the basis of payment, the method of calculating payment, and examples of specific cases. By John Mitchell. *The Society of Industrial Engineers Bulletin*, Sept., 1930, p. 5:8.

#### Administration: *Regulations, Supplies, Communications*

##### Stopping Leaks in Mailing Costs

Mailing costs showed a substantial reduction in one company after a memorandum had been sent to the office staff outlining these rules to observe in the preparation of mail: 1. Use air mail only when there is a real necessity for it; 2. Do not use special delivery except in cases of real urgency; 3. Use first class mail for all ordinary business correspondence; be sure to use first class envelopes for first class mail; when you use large envelopes be sure to mark them "first class"; 4. Send as much material as possible third class mail or parcel post, using button and string envelopes for third class mail; 5. When in doubt on mailing questions call the mailing department; 6. Be sure to mark bulk material the class you wish it sent and specify the department against which postage is to be charged; 7. Use inter-office mail service for communications between all buildings and between branch and district offices; be sure all long-hand addressing is legible. *System*, Nov. 1930, p. 395:1.

##### How We Hunted "Office Alligators"

A campaign against waste in the Larkin Company, Inc. was announced in the company's house organ as an "alligator hunt" and a license to "shoot" was issued to everyone. A "shot" was a suggestion to "kill" a waste, and a "hit" the accept-

ance of that suggestion by the management. After weeding out the trivial and those based on erroneous ideas of the company's policies, a rich mine of ideas was left which have been put to work. The estimated cash value of the results of the alligator hunt at the end of the first year was \$60,000 to \$70,000, aside from the saving on such imponderables as the gain from safety suggestions, ideas resulting in better cooperation, etc. By S. B. Wilkes. *System*, Nov., 1930, p. 392:1.

##### Passing Ideas Along

Every time a music publisher, in that precarious game which may be running full swing one month and half or less than that the next, begins to exploit a new number he must create a new public for the song. Idea coordination and the cooperation of all the company's personnel in securing company profits enables the Robbins Music Corporation to cash in on the popularity of a song hit before it fades out. Each month each branch manager receives duplicates of all orders coming in from his territory, whether the sale was made by him or an unsolicited order, a report on the gross business done by the corporation, the approximate amount of business of the other leading firms, which is obtained from jobbers and other sources, and an itemized report of the copies re-

turned to the company from each territory. Branch managers are urged to ask help of the New York office in solving their problems as well as to send in a story of any particularly effective window displays, advertising stunts, etc., to be passed on to other branch managers. Every one is made to understand that if the firm prospers everybody will share in the prosperity. By J. J. Robbins. *System*, Nov. 1930, p. 387:2.

#### Committee Plan Cuts Office Costs

The "Office Standards Division" of the Westinghouse Electric and Manufacturing Company is an advisory staff, cooperating with the comptroller in his supervision of all office methods and the selection and

standardization of office machinery, whose duties are to review all requisitions for mechanical office equipment, to determine the particular makes and types of mechanical aids to best serve the company's requirements, to provide for the economic repair of those appliances and to study existing office methods and routine that improvements and better standardizations may be applied. It is composed of men having experience in the headquarters department, the manufacturing or works department, or district office sales and clerical departments. It engages in detailed study of each operation and proposes improved procedures, often graphically illustrating the plan. By V. F. Covert. *System*, Nov. 1930, p. 396:2.

#### Records: Forms, Charts, Cards, Files, Statistics

##### A Central File For \$100

When one bank saw how helpful to its business a central file could be it installed one of its own making. Ten thousand 5 by 8 cards were bought at the cost of \$50. The total cost of the entire system was approximately \$100.

The file showed at a glance the past record of the customer's average balance, his affiliated checking accounts, whether or not he was a borrower, whether he had a savings account, safety deposit box, certificates of deposit, and so on. Valuable mailing lists were quickly compiled from the central information file. Both the front and the back of the central file card are illustrated. By Lyall Barnhart. *The Bankers Service Bulletin*, Oct., 1930, p. 10.

##### Our Unit Cost Plan

A unique unit cost plan of the Jewel Tea Company which provides for detailed cost analysis of every activity and expenditure of the various units and renders the employees expense-minded aims to: 1. establish means of measuring costs of doing the work; 2. set a fair base or budget for each cost; 3. compare the current costs

periodically with the base or budget set.

The base is equal to the actual cost the previous year—with adjustments for unusual conditions that always come up—of payroll, space, depreciation, machine transcription, typing, computing, inter-unit work, telephone, telegraph, stationery and supplies, overhead, and space occupied by, and the actual cost of the transfer files. The method of computing each of these, the procedure when new work is contemplated and a plan of giving employees a portion of the savings they help to effect, are here described by the Office Manager of the company. By C. L. Stivers. *System*, Nov., 1930, p. 378:3.

##### Special Information Obtainable from Mechanical Accounting

Unless management has full and complete information regarding all the many factors controlling business today success cannot be hoped for. This information to be valuable must be correct. The mechanical methods used by modern accountancy have contributed in large measure to the success of modern management, in that by these methods management is furnished

with more information, more accurately and more promptly than ever before. A description is given of several records that have proved of great value in a machine

shop and of how this company makes use of its tabulating machines for getting out special reports. By Thomas B. Frank. *The Iron Age*, Oct. 23, 1930, p. 1132:4.

## PRODUCTION MANAGEMENT

### Industrial Economics: *Labor and Capital, Legislation, Wage Theory, Immigration*

#### Industries Revise Their Plans to Make More Jobs Available

The U. S. Steel Corporation, Bethlehem Steel Corporation, and Standard Oil Company of New Jersey have definitely announced that they will drop no more employees for lack of work; that they will pro-rate available jobs among their present force so that everyone may be assured of at least part time work. The Tide Water Oil Company has reduced its working week in order to retain its present force. The A. S. Beck Shoe Company will cut its prices 10 per cent in order to stimulate sales and keep its factory and store employees at work. T. F. Hart, a Texas furniture dealer, has offered to be the first of 100 Dallas men to spend \$25,000 each this winter in new construction and repairs. The president of Ohrbachs, New York, will inaugurate a stagger system in his business which will give work to 625 additional persons. The railroads have instituted unemployment relief measures. Other concerns are every day revising their operating plans to meet present conditions. *The Business Week*, Nov. 12, 1930, p. 14.

#### The Labor Situation in France

France stands in a unique position today. It is the one country in which unemployment is practically non-existent, although the past few months have shown a slight let-up in the remarkable activity that characterized the years 1928 and 1929.

The new French social insurance law

became operative on July 1, 1930. It provides for the compulsory insurance of all French wage earners whose annual remunerations do not exceed 15,000 francs. The risks covered are sickness, incapacity, old age and death. In addition, the law provides for assistance in bearing the financial burdens entailed by reason of family charges, maternity, and involuntary unemployment. Outside of the State contributions, which will amount to more than 540,000,000 francs yearly, the social insurance resources will be made up by payments from employers and employees in equal shares. The average assessment for the employer and the employee will be approximately four per cent of the basic wage.

The number of workers placed by departmental and municipal employment offices has been steadily increasing during the past 13 years. By E. A. Masuret. *Commerce Reports*, Nov. 10, 1930, p. 331:2.

#### The Outlook for the Factory Worker

A review, based on census figures, of the changing relations of labor to manufacture and of the value of products to wages between 1899 and 1927. Through the use of more efficient methods and the application of mechanical power and automatic equipment the worker has in the 28 year period between 1899 and 1927, steadily raised his own wage from \$426 per year to \$1299 per year. He is still receiving for his labor about 40 per cent of its gross value to his employer; and his remuneration represents 17 per cent

of the total value of all manufacturing, just as it did in 1899. The machines have displaced two men out of three but the remaining third man is earning the entire wage which he and his co-workers formerly received. The unemployed percentage in any four-year period of the last 28 years has been about at par with any other four-year period. The known record of 28 years demonstrates that the recurring slacks in factory employment are shortly taken up by increasing demands for staples, and new demands for novelties. By Franklyn Hobbs. *Pacific Factory*, Oct., 1930, p. 21:3.

#### The Unemployment Problem in Japan

Unemployment in Japan which was not regarded seriously until after 1920, has taken on vast proportions since then. Statistical data is given concerning its extent, more especially among casual workers and salaried workers in manufacturing industries. An analysis of the various causes is given, together with a description of the partial remedies applied up to the present time. By Seishi Idei. *International Labour Review*, Oct., 1930, p. 523: 24.

#### Eastman Workers Get 5-Day Week

The Eastman Kodak Company has adopted the five-day week and about 2,000 men are now employed on that schedule at the camera plant. The management stated today that the plan will prevent reduction of employees and that there are more men employed in the works than a year ago. *N. Y. Times*, Nov. 17, 1930.

#### The Czech "Henry Ford" Adopts 5-Day Week

The business world of Czechoslovakia has been greatly aroused by the news that Thomas Bata, prominent shoe manufacturer, who is called the "Henry Ford of Czechoslovakia," has introduced a five-day week in his factories. A statement made by Mr. Bata says: "We are aiming to organize our establishments, both technically and otherwise, so as to be able

to work five days a week. We can accomplish this purpose without lowering the increased wages of our employees or raising the prices of our products. Through the greater leisure which our workmen obtain, it is hoped their physical and intellectual welfare will be improved and an opportunity afforded them for further schooling." *The New York Times*, Oct. 5, 1930.

#### Plans For Reviving Trade and Employment

Trade revival and work for the workless is what we need and we need them quickly, for winter is coming on. Sundry powerful influences have been set at the task of getting them. The following are a few of the plans:

President Hoover has appointed six of his Cabinet officers—as a committee to take up the situation with the governors of the states, business men and industrial leaders, to see where the Federal government may cooperate in creating more jobs.

Financiers of New York City have agreed to raise \$150,000 each week to provide jobs for the idle.

The Baltimore & Ohio Railroad Company, by authority of its Board of Directors, has decided to hurry up its car-building program in anticipation of future needs in order to provide work for men who would not otherwise be required during the winter.

The American Federation of Labor has made a number of recommendations which may or may not be realizable, some of which have been the subject of earnest consideration by progressive and liberal employers for many years.

The Governor of Kentucky officially designated the week beginning October 19th as Business Confidence Week.

Through its retail merchants' committee, the Philadelphia Chamber of Commerce plans to launch a "buy now" campaign for the purpose of improving business and employment conditions. *Commerce and Finance*, Oct. 22, 1930, p. 1995.

### Employment: Classification, Selection, Tests, Turnover

#### Technological Factors in Relation to Personnel Management

The mechanization of industry is of course bound to affect personnel management just as it has affected all other phases of management. In fact, personnel administration exists just because of these factors. Our ideas have not yet caught up to the changes brought about by the use of machinery. Machines used to receive more attention than men. The condition of workers some years ago was not a pretty thing to contemplate, and the efforts to better conditions came chiefly from humanitarians outside of industry. Even yet, management is more evenly pitted in its knowledge of machinery and processes than in its knowledge of people and how to use them. Personnel management endeavors to place labor relations on the same business basis as purchasing and production, and to meet the impersonal quality of large-scale business.

The general lines along which personnel administration has been developing and will probably continue to develop for some time to come are outlined. By Arthur H. Young. *The Journal of Business of the University of Chicago*, Oct., 1930, p. 424:8.

#### Employment Service in the United States

The three types of agencies engaged in connecting workers with jobs are the privately owned, fee-charging commercial agencies, the non-fee-charging agencies maintained by various kinds of organizations, and the public employment offices maintained by municipalities, states, and the Federal government. In regard to the law of employment offices in the United States, their public operation is a permissible exercise of police power provided there is no constitutional prohibition and no discrimination in service. Private employment agencies may be regulated as regards certain practices.

Such agencies may not be legislated out of existence through the fixing of rates which may be charged for service rendered. The form of a national employment service which will meet the requirements of the Federal Constitution is as yet undetermined.

Placement service in the United States, however administered, is admittedly in a highly unsatisfactory stage, but popular interest in it should result in its better organization. By Glenn A. Bowers. *Law and Labor*, September, 1930, p. 198:6.

#### Company Plans for the Regularization of Plant Operation and Employment

Certain typical regularization programs which are apparently not limited in their possible application to the particular industries in which they are found are briefly summarized. Mention is made where the company has provided some method of indemnification of the laid-off employee. *Industrial Relations Section, Princeton University*, October, 1930, 11 pages.

#### Here Is An Unemployment Plan That Is Working

The S. C. Johnson company, paint manufacturers, organized an unemployment plan, jointly with its employees, in 1922. Since that time the enterprise has operated steadily without laying off one employee on account of business depression.

The plan includes the following policies: 1. Year around advertising to develop sales each month. 2. Continuous aggressive merchandising. 3. Development of new products. 4. Training of employees so that they can shift from one job to another. 5. Staggered vacation periods for all employees. 6. Conference procedure between management and employees in order to secure a maximum of fair dealing. *The Four L Lumber News*, Nov. 1, 1930, p. 31.

**Employee Service: *Hygiene, Recreation, Lunch Rooms, Stores, Safety*****The Accident Clinic—How It Functions and What It Accomplishes**

The Accident Clinic of the Milwaukee Electric Railway and Light Company aims to view the accident record of each high accident man from as many angles as possible. Its personnel includes representatives of the various departments concerned—the Claim, Medical, Welfare, Transportation, Safety, and Educational Departments. A thoroughgoing study is made of each operator who comes to the attention of the Clinic and a careful follow up is kept after the Clinic contact has

been made. The results secured in a year's time with a group of the highest accident men from the various stations of the system are reported. A group of 33 high accident operators had, during an observational period of six months following the clinical examination, 81.5 per cent fewer accidents than during the six months prior to the examination. Lack of ability was judged to be the most frequent cause of accidents, while faulty attitude was next. By Sadie M. Shellow. *The Personnel Journal*, Oct. 1930, p. 207:9.

**Training and Education: *Libraries, Apprenticeship, Employee Publications, Bulletin Boards*****Decentralized Employee Training**

From a stage when education of the worker was in large part a function of the master craftsman and training of the workman entirely so—the master craftsman, however, being ill prepared to teach except in terms of the mastership of his craft—we have progressed through a stage of formal classroom instruction of employees, partly for educational and partly for training purposes—a period of mass production in training—to one where the educational and training work of companies is being confined largely to training for the job, on the job, by a supervisor who has been trained to train.

Mr. Donald outlines the functions of an educational director or manager of training activities under a program of decentralized training by the supervisor on the job for the job:

1. To provide that enthusiasm and promotive quality which spreads interest in training throughout the organization and creates desire and willingness on the part of every supervisor to take part in the training process.

2. To help to prepare the instructional outlines to be used by supervisors in the

training of their workers. One says "help" advisedly, because it may be easily recognized that when the supervisors themselves have prepared the instructional outlines with the help of an educational department, they are much more likely to take an interest in the training program and to feel a definite responsibility for making it effective.

3. To prepare, improve, and constantly revise the procedure for carrying out the training program, thus facilitating the work of the supervisor.

4. To take a very active part in training the supervisor to train.

5. To act as an adviser to the management of the company in regard to the development of its personnel, and thus link the training policy of the company to the whole future of the business and its financial success. By W. J. Donald. *Mechanical Engineering*, Nov. 1930, p. 963:5.

**Can the Engineering Student Be Taught to Manage Men?**

Success as an engineer is more and more calling for executive as well as technical ability. Even those engineers who concentrate on design or research

must be able to deal effectively with superiors, associates and subordinates. Although aptitude for acquiring skill in human management depends largely on personal traits, yet these traits can be developed. The engineer who has a sound understanding of the experiences of the past will have a large advantage over those engineers whose background is confined to their own narrow experience. There are various courses that the engineering schools can provide to give this understanding. The best type of course will consist of discussion and actual handling of typical personnel situations. They should be related as far as possible to the student's engineering work so that he

will be brought to see the personnel aspects of the work in which he is actually engaged at the time. Those situations should be studied which the student is likely to encounter as an engineer and as an executive. Suggestions as to the teaching of such a course are added to this report. By Elliott D. Smith. *The Journal of Engineering Education*, October, 1930, p. 99:40.

#### Detailed Records and System of Grading Used to Rate Apprentice's Work

A description of the practice at the Cooper-Bessemer Corporation. *The Iron Age*, Nov. 6, 1930, p. 1279:3.

#### Labor Relations: Collective Bargaining, Employees Representation, Arbitration

##### Industrial Government in the Book and Job Printing Industry

The printing industry has traveled far along the road to industrial peace. Dr. Bogardus describes the origin and the present form of the government which this vast industry has evolved, not only for the avoidance or resolution of conflict, but also for the advancement of standards and the increase of good will and active cooperation. By J. F. Bogardus. *The Personnel Journal*, Oct. 1930, p. 222:13.

##### The Clothing Workers' Factory in Milwaukee

Events leading up to the organization of the factory owned and managed by the Amalgamated Clothing Workers of America are related.

Whatever developments may grow out of the Amalgamated's Milwaukee factory, immediately or in a future farther removed, 1928 marked the beginning of an experiment which deserves watching. By Lyle W. Cooper. *Harvard Business Review*, Oct. 1930, p. 89:12.

#### Benefit Systems and Incentives: Group Insurance, Pensions, Vacations, Profit Sharing, Wage Plans, Suggestions, Stock Ownership

##### Group Incentive—How It Helps Supervise

At the River Works of the General Electric Company, at Lynn, all piece workers are transformed into day workers, with a guaranteed day rate. Thus, each man receives the best form of supervision—that which comes from his own group. The installation of a group usually results in increased earnings of from 5 to 30 per cent. Reduced clerical expense results

from the fact that one piece work slip credits the group for the finished article where perhaps 20 to 40 might be required under the old piece-rate plan. Increased cooperation results between group members, the most efficient workers seeing that the others take advantage of the little tricks that save time. The development of the rate plan is given in some detail. By S. J. Shaffer. *Factory and Industrial Management*, Nov. 1930, p. 967:3.

**Mutual Benefit Associations in 1930**

In a review of the status of mutual benefit associations no tendency for this organization to be displaced is apparent. There seems to be a trend in the last five years toward making membership in the association compulsory. There is also a tendency to raise the scale of benefits, and there is an increasing emphasis on physical examinations and the promotion of health. Its original purpose of granting relief is still predominant. Indications of sounder financing of the associations are apparent. An impression is gained of a body of organizations which are quietly and unostentatiously doing a very worthwhile work. They have survived several decades into which have been crowded industrial and social changes of tremendous moment. *N. I. C. B. Service Letter*, Nov. 15, 1930.

**Employees Have Opportunity to Give "One Extra Day's" Earnings to Charity**

It was felt that on account of the short weeks the majority of the Goodyear employees are working, that it would be a hardship for them to make contributions to the fund for the unemployed of the city. A plan has therefore been adopted whereby each factory employee has been given the opportunity to work one extra day with the understanding that his earnings for that day will be his contribution. *The Wingfoot Clan*, Nov. 12, 1930.

**An Incentive Plan That Does Not Include Bonus, Premium or Piece Rates**

In the Bessemer Corporation (manufacturer of gas engines and air compressors) each worker is paid a day rate based on his efficiency rating. The employee's rating is computed on the basis of the time taken to do a certain operation as compared with the standard time set for the job, the amount of defective work he produces and the number of tools he breaks. Pay is increased each quarter

for four quarters if an employee maintains or increases his efficiency rating. No reductions in pay are made if a workman does not maintain his rating. Instead he is given notice and, if his work does not improve, he is discharged. By F. L. Prentiss. *The Iron Age*, Oct. 23, 1930, p. 1144:3.

**How Much Is An Executive Worth?**

This article records and digests the findings of a recent research and questionnaire, a review of all the known effective incentives for executives. Five of the existing classes are appraised; co-partnership arrangements; non-financial incentives; the arbitrary bonus; profit sharing; and task-and bonus plans. The writer further considers the essentials of a sound plan: statistics essential to the operation of a plan; participation proportionate to responsibility; in general incentives for high executives should be based on group results and for lower executives, on individual results; the reward for each should be mostly in terms of factors over which he has positive control. By F. P. Poole. *Factory and Industrial Management*, November, 1930, p. 937:3.

**Procter & Gamble to Help Employees Hold Stock**

The Procter & Gamble Co. has notified its employees that it will protect their holdings of the company's stock if assistance is required. The offer is extended to employees in the home office in Cincinnati and in all the branches in the United States and Canada. Many of the employees have bought the company's stock on margin and it is to protect such holdings that the company made its offer of assistance.

This is the second time since the panic break in the stock market last year that the Procter & Gamble Co. has stepped into the breach to save employees from loss in their marginal commitments in the company's stock. The first offer was

made about a year ago, at which time employees were advanced a total of about \$3,000,000 for the purpose of protection.

A large part of this sum has since been repaid to the company, it is believed. *Journal of Commerce*, Nov. 13, 1930.

### Shop Methods: *Industrial Engineering, Standardization, Waste, Rate Setting, Time and Motion Study*

#### Time Study vs. Standardization

Job Analysis, or Process Standardization, if comprehensively undertaken, requires improvement and development in at least all of the following respects in addition to the determination of the proper length of time for the performance of the task: equipment; interdepartment mechanical handling; supply of material; adequacy of machinery; tools, jigs and fixtures; combination of the operation under study with previous and with subsequent operations; relocation of the operation; the feeds and speeds of equipment; possibilities for simplifying setting up of the equipment; methods for reducing waste; progressive line production methods; possibilities for improving the quality of work produced; fitness of the worker for the particular job; establishment of the most economical quantity to manufacture in one lot; conditions regarding illumination, cleanliness and atmospheric condition; adequateness of supervision and inspection.

Frequently when a study such as that suggested above is made it is found that the task is so altered, changed and developed, that to have attempted to measure the amount of effort or time required to perform the task in the old way would have constituted a complete loss of the time so applied. *Bulletin of Bigelow, Kent, Willard and Company, Inc.* Vol. VII, No. 11, November, 1930.

#### Hidden Costs in Materials Handling

The Superintendent, Plant Planning and Layout Department, Westinghouse Electric & Manufacturing Company describes a large variety of material-handling equipment and methods used at the East

Pittsburgh plant of the Westinghouse Electric and Manufacturing Company and tells how material is handled in different departments and the type of handling equipment found best suited to the requirements. He discusses various material-handling problems in a general way and tells of methods that are essential to reduce handling to a minimum. By J. I. McCormick. *Transactions of the A. S. M. E.*, Sept.-Dec., 1930, p. 85:5.

#### Overhead Handling Speeds Mass Production of Business Forms

Interesting features at the Gilman Fan-fold Corporation are an overhead conveyor system, a five-day week, in operation for four years, practically all operations on a piecework basis, general vacation shutdown of a week, fortuitous working conditinos. By G. E. Russell. *Materials Handling and Distribution*, November, 1930, p. 21:2.

#### Micromotion Technique

Applied motion study succeeds best through practical demonstrations of its value. Cadillac divided foremen, tool engineers, and so on, into 20-man groups. These were shown how motion study works. Six assembly operations were performed in the usual manner; then, by applying the laws and principles of motion economy. An average time reduction of 40 per cent followed. By F. J. Van Poppelen. *Factory and Industrial Management*, Nov., 1930, p. 945:3.

#### Training Time-Study Men

The motion picture method of training time-study men and securing and maintaining uniformity in practice among them

holds many advantages over the old classroom method. It renders an unlimited range of industrial operations available to teachers of the subject. Conditions can be duplicated when and as often as desired. It is inexpensive. Professor David B. Porter, of New York University has said: "I believe that the micro-motion method is the best means for teaching and illustrating the correct principles of motion, equal distribution of work between the

two hands and elimination of idle and waiting time. When these principles are thoroughly learned, it is possible for the student to apply them to the setting up of a job without the use of motion picture equipment. After the job has been constructed synthetically, it is possible to time it with a stop watch and get very satisfactory results." By Allan H. Mogen-sen. *Factory and Industrial Management*, September, 1930, p. 511:2.

## MARKETING MANAGEMENT

### A Study of the Concentration of the Industrial Market in the United States

Out of 3,073 counties in the United States there are 345 counties which account for 83 per cent of the total production in the country. Four maps are shown which illustrate this concentration of production and purchases of industry. A study of these maps indicates that selective selling is necessary and more careful sales direction. Prepared by the *Domestic Marketing Problems Committee of the National Industrial Advertisers Association*, New York. 13 pages.

### The Major Sales Problems of 1930

An analysis of merchandising problems with examples from various industries and a discussion of the three most significant trends—unemployment, decline in commodity prices and buying fatigue. By Frank R. Goodell. *Taylor Society Bulletin*, June, 1930, p. 151:11.

### Getting Profitable Prices

Too many manufacturers are obsessed with the idea that the consumer must get a bargain even if the producers or distributors lose by such procedure. A review of prices made on correctly priced goods will indicate rather definitely whether or not it will be possible to get the correct prices for a normal quota of

the goods. If not, then a means must be found of reducing their cost to a level that enables them to be sold at a profitable price, or they should be discontinued entirely. By W. L. Churchill. *Trunks and Leather Goods*, November, 1930, p. 23:3.

### Destructive Forces Which Must Be Brought Under Control By a New Vision Among Business Executives

If our present industrial capacity is to be maintained, we must increase consumption. This can be done by lowering prices to the consumer. With most commodities it is possible to do this only if the cost of distribution can be reduced. The chief impediment in the progress of industry toward better distribution is the state of mind of the leaders in the average industrial group. If these leaders will attempt to supply a better service for less money, some way can be found to bring this attitude into harmony with the Sherman and Clayton Acts, which now stand in their path toward joint action. By Gordon C. Corbaley. *The Facts in Food Distribution*, Nov. 8, 1930, p. 1:1.

### To Sell Goods Now, Let's Agree That—

The 12 essential points of a merchandising program for the next six months are:

1. It's a good time to use and not lose your head;

2. to the SELLER goes the business, and that it's good business
3. to make selling plans before buying plans;
4. to have accurate price lines;
5. to know what fashion is;
6. to let Fashion—a willing worker—work;
7. to promote and to keep on promoting fast-selling fashions;
8. to give your advertising money a chance to work for you;
9. to agree that advertising means more than to tell. It means to turn.
10. To agree that everybody gets what he deserves;
11. to do a completely wrapped-up selling job.

#### Sales Promotion: *Letters, House Organs, Advertising.*

##### The Effectiveness of Page Size in Magazine Advertising

Experiments with groups totaling 393 individuals: men and women; high school and university students lead to the conclusion that increase in page sizes does not give corresponding increase in efficiency. When the small size is adequate for presentation of the copy, a larger presentation will not have any greater increase on attention or retention. A page is a page, provided that it is neither so small as to be difficult to read or so large as to be unruly. An advertisement in a publication having a page size of 680 lines will have little or no advantage over the same advertisement in a publication having a page size of 450 lines. By T. H. Cutler. *Journal of Applied Psychology*, Oct., 1930, p. 465:5.

##### How Do You Justify Your Advertising Expenditures?

The Parker-Kalon Corporation encounters little difficulty in justifying its advertising expenditures *en masse*, as the company does not employ salesmen, but depends entirely upon its advertising and its

12. Finally, that it's good business right about now to go to work. By Amos Parrish. *Retail Ledger*, First November Issue, 1930, p. 7:1.

##### The Small Order Problem

The most widely used plans are the increased price plan for small accounts, handling small accounts through jobbers, salesmen's education plan to increase size of orders, and the minimum invoice plan. Several firms believe that the small order problem is not only here to stay but is on the increase, and they have therefore standardized their line and reorganized their shipping departments to handle small orders on a profitable basis. *Report No. 330. The Dartnell Corporation*. 29 pages.

selected jobbers to make contacts with buyers. Two men travel, but their work is principally of the missionary type. The jobber-cooperation expenditures cover almost every type of dealer—help material, such as catalogs, envelope stuffers, stickers and wall signs. As these dealer helps have had definite and immediate effects upon sales, much time and effort go into their planning. An outside research organization is employed to dig out new markets, since the product manufactured, a self-tapping screw, is new. Parker-Kalon's answer to the question of advertising expense is to test plans and pieces of advertising before they are broadcast at great expense. By C. H. Trott. *Class & Industrial Marketing*, Oct., 1930, p. 40:3.

##### Testing Advertising

A discussion of various methods of testing advertising, including: the field-investigation, the historical, the business return, the laboratory or order of merit, recall, recognition, association and eye-fixation methods. By Mabel Taylor Gragg. *Harvard Business Review*, Oct., 1930, p. 111:13.

### Salesmen: Selection, Training, Compensation

#### Should the Salesman Help the Credit Department Collect Past-Due Accounts?

There is probably no single phase of co-operation between the credit and sales departments that presents so many different angles as the collection of past-due accounts by salesmen. In this symposium seven Credit Executives answer the question as to whether or not the salesmen should help the Credit Department collect past-due accounts. Both sides of the problem are presented. *Credit Monthly*, Oct., 1930, p. 24:2.

#### Salesmanship, Today's Leading Business Problem

One of the most popular methods of training, which is always, by the way, a disappointment, seems to be the six weeks' short course. A series of comprehensive textbooks is prepared which attempt to prepare the salesman for his job. The plan fails for this reason: it is impossible to tell any man how to sell a product in so many words. Instead, it is necessary to start with the subject of presentation, giving the salesman little bits of it, perhaps only three or four paragraphs at a time, showing him how to present a certain idea about the product. These ideas must

be presented time after time in different fashion as they appear in different situations. If the salesman will then read these points over and over during the course of a year or two, he will be giving a good presentation for the first time in his life. Selling takes the ability to master facts and so present them that they will move buyers to action. By Charles Low. *Class & Industrial Marketing*, Oct., 1930, p. 54:3.

#### Deflating Salesmen's Expenses

A study of the policies on salesmen's expense accounts in 312 companies reveals that salesmen's expenses today are almost universally on the basis of actual expenditures, only 27 of those investigated having weekly or daily allowances. The major legitimate expense items are transportation, rooms, meals, entertainment, incidentals, pressing and laundry. All of the 312 enterprises questioned allow Pullman chairs for day travel and lower berth for night travel for their senior salesmen and all but 17 allow Pullman chairs for day travel for both seniors and juniors. The various differences in the allowances for meals depend on the territory, the seniority of the salesman, etc. and are discussed by the writer, as well as the general practice in regard to entertainment. By Walter F. Wyman. *System*, Nov., 1930, p. 389:2.

### Retailing

#### Mass Psychology and the Consumer

If you can influence the leaders, either with or without their conscious cooperation, you automatically influence the group which they sway. But men do not need to be actually gathered together in a public meeting or in a street riot, to be subject to the influences of mass psychology. Because man is by nature gregarious he feels himself to be a member of a herd, even when he is alone in his room with the curtains drawn. His mind retains the patterns which have been stamped on it by the group influences.

But when the example of the leader is not at hand and the herd must act for itself, it does so by means of clichés, pat words or images which stand for a whole group of ideas or experiences. Not many years ago, it was necessary only to tag a political candidate with the word "interests" to stampede millions of people into voting against him, because anything associated with "the interests" seemed necessarily corrupt. Recently the word "Bolshevik" has performed a similar service for persons who wished to frighten the public away from a line of action. The

word "racketeering" will soon be used with the same deadly indefiniteness.

While the mass psychologist must know what the motives of the consumer are, he must be sure he is appealing to the real motives in any campaign. By Edward L. Bernays. *Address before the Boston Conference on Retail Distribution, University Club, Boston, Sept., 1930, 8 pages.*

### The Variety Chain Field

The wild scramble of the past few years for locations among many of the variety chain companies has had a ruinous effect on some of the less substantial companies, and it will take time for them to digest the orgy of over-expansion. Another evil in this field was the tendency for the control of expense to get out of hand. The current depression has exercised a highly medicinal function in directing attention to these two evils. Expansion may now be expected to proceed on normal lines, and already there is a better control of expenses. By William Henry Smith. *Barron's*, September 1, 1930, p. 3:2.

### Health and Labor Turnover in a Department Store

The relation of health to labor turnover was studied on the basis of the experience of a department store for five years. It was found that on the average 7 per cent of all separations each year are caused by health reasons.

Different departments vary in proportion of health cases. In the selling departments studied an average of 11 per cent of all separations were for reason of health, while the non-selling departments range from 5 to 8 per cent. Among the selling departments, those having unfavorable location and physical conditions have greater proportions of health cases.

Health cases are more frequent in the spring than in the fall. On the average of the five years, there were 9 per cent in the first half of the year but only 6 per cent in the second half.

Women more frequently leave because

of health conditions than men. One man was found in a hundred separations due to health, while 25 per cent of all separations were men and 75 per cent women.

The management is responsible for the health cases whether they are due to individual constitutions or environmental conditions. Practical measures such as health education, adjustments, selection, study of physical conditions and periodic physical examinations are suggested. By C. J. Ho. *The Personnel Journal*, Oct., 1930, p. 216:6.

### Personnel Problems of the Chain Store

Every food chain of 250 outlets or more has need of a personnel department and a personnel director. A personnel department of a chain store should discover and develop sources of store manager and clerk supply. It should consider applicants, secure references, and make selections. The applicant must be sold the job and then trained. The personnel department is also responsible for staff supervision and stimulation. One of the most important features of his training is in his relations with the public; he must be taught to answer any question that Mrs. Consumer may put to him. By Walter V. Davidson. *Chain Store Age*, Nov., 1930, p. 32:2.

### The Independent, et al, Versus the Chains

The chains must realize that there are other appeals besides low prices resulting from efficient merchandising. The chain stores must obviously continue to distribute standardized articles which have a rapid turnover, while the independents will compete with them by handling more specialty articles and with added service and more personal contact. There is clearly room for numerous outlets of both types in the distribution system as a whole, when these outlets are efficiently and intelligently managed. There never has been and never will be any room for the in-

efficient and poorly managed independent store relying on public sympathy and legislative protection or for the inefficient chain organization relying on size alone. Thus the independent can wage competitive war against the chain in the same territory and furthermore can defeat the chains in the

many areas where, because of insufficient purchasing power, it would be unprofitable for chains to penetrate and yet where the independent stores operated by families of the community may be supported. By Boyce F. Martin. *Harvard Business Review*, Oct., 1930, p. 56:10.

## Survey of Books for Executives

**Operating Aspects of Industrial Mergers.** By William R. Bassett, in collaboration with Johnson Heywood. Harper & Bros., New York, 1930. 205 pages. \$3.00.

The publishers state that it is the aim of this book to give practical and definite information to business men concerning the factors influencing industrial mergers and in the reviewer's judgment this has been done.

The first five chapters discuss the economic reasons for merging, such as, economies in production, distribution, administration or finance and the types of mergers—horizontal, vertical and circular.

The next four chapters deal with the formation of a merger, its financial structure, its management and legal problems.

In the last two chapters, the author discusses the trend of the merger movement and gives a brief history of these movements.

It is pointed out that the underlying reason for merging today is radically different from that of the early nineties.

An interesting statement is made to wit: "It is apparent that so long as a manufacturer produces semi-finished materials for other concerns to process the cards are stacked against him."

"The nearer he can come to the almighty ultimate consumer, the more intelligently he can merchandise his product and the safer and more stable his profits are apt to be."

The author discusses at length the

economies of mergers and initially points out three important factors to be considered:

1. There is nothing in the mere merging of business units which insures success.
2. Skillful management is at least as important in a merger as in a small business.
3. If the combination is not in accord with sound economics it can be counted on to fail.

The stability of the vertical form of merger with its advantages and the evolution of this type from previous horizontal forms are discussed.

The practical aspects of production, distribution and administrative economics for the several types of mergers are clearly pointed out and examples given of definite savings made after consolidation or merger.

The reviewer wished that Mr. Bassett had laid a little more stress, in discussing the economics of administration, on the human factor, both the competent and incompetent personnel elements, the problems involved and their disposition. He stresses, particularly, the waste due to excess executive talent in family owned concerns.

The author points out, in discussing the putting of a merger together, that more weight is given to demonstrated earning power than to physical assets and that the assets behind the security are becoming increasingly unimportant as the bankers and the public learn from experience that

the values shown on a balance sheet are rarely realized in the event of failure of an enterprise.

The author states that the usual plan in financing is to give weight to both earning power and assets in a formula as follows:

$$\text{Value for merging purposes} = \text{Net tangible assets} + 2 \text{ (earnings} \times 10)$$

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and sketches the basic principles which determine the financial structure of a merger.

The chapter on mergers and the Anti-Trust Laws outlines the outstanding pertinent features of the Law as it affects mergers.

The author's speculation on the trend of the merger movement is interesting. He states that if this movement were to proceed to its logical conclusions, everybody would be working for and be a shareholder in the same company. It would, therefore, in effect be socialism arrived at not by political change but by capitalistic evolution.

The book is engagingly written, is most readable, non-technical in style and text and treats a complex subject in an informative popular manner.

HAROLD V. COES, *Manager, Industrial Department, Ford, Bacon & Davis, Inc.*

**Wage Methods and Selling Costs.** By Anne Bezanson and Miriam Hussey. University of Pennsylvania Press, Philadelphia, 1930. 405 pages. \$4.50.

Detailed results of a recent research into sales clerks' compensation plans and an analysis of the effect of various methods of wage payment, the major problem of interest to store executives, are presented in this work. Besides a discussion of the forms of payment within the various departments of each of 145 retail stores, there are chapters on the differences in average weekly earnings and sales attainment in 29 hosiery, 31 ready-to-wear, 18 men's clothing and 21 house furnishings departments

as well as the seasonal factors in compensation in these departments. A statement of the opinions of executives on the administrative difficulties in operating their own forms of compensation is also included. Numerous tables and charts complement the text of this comprehensive survey.

C. R.

**Secretarial Training.** By Charles G. Reigner. H. M. Rowe Co., Baltimore, Md., 1930 (revised edition). 382 pages. \$1.60.

This is a text aimed to aid in presenting a systematic course in advanced dictation, stenographic practice and secretarial procedure. A section devoted to each of nineteen representative lines of business approached from the secretarial viewpoint gives a series of style letters, definitions of pertinent technical terms and a series of typical office assignments. Practice is also provided in taking and transcribing dictation, making out bills, filling in blank forms, writing specifications, legal documents, etc.

**Work Routing in Production.** By John Younger. Ronald Press, New York, 1930. 115 pages. \$2.50.

Routing is not allowed to occupy the center of the stage very long as the jacket carries the announcement that scheduling and dispatching are included and in the first chapter with the introduction of planning the fourth member of the family is accounted for.

Obviously a presentation of this length does not attempt to give a complete description of the technique of setting up and operating methods of regulating the flow of production. A more suggestive label might read, "factors to consider in planning, routing, scheduling and dispatching," as it is in this direction that Professor Younger places most of his emphasis. For those who are already familiar with the forms and details of this work and those who do not care to spend too much time puzzling over complicated mathematical

formulas, there are some excellent practical suggestions on further utilization of operating equipment, the use of machine fixtures, lot sizes, the importance of cost data in planning and the necessity of clearly defined company policies. I suppose that much of this material would be considered elementary but the statement made so often when new improvements are pointed out, "why didn't someone think of that before?" indicates that a consideration of fundamentals may prove very stimulating to the man on the job.

The background for the whole discussion is the metal trades industries and specific cases are usually drawn from this kind of work but these concrete illustrations will suggest many similarities to those who are interested in the production of other classes of goods.

K. B. A.

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**Market Organization.** By Roland S. Vaile and Peter L. Slagsvold. Ronald Press, New York, 1929 and 1930. 498 pages. \$4.00.

"The dynamic situation with respect to marketing requires frequent, up-to-date presentation," a statement from the preface, is well followed in this book, which provides the student of distribution with a current evaluation of our present system. Valuable illustrations of the various aspects of marketing, agricultural, industrial and consumer products are given. Recent experiments in the newer methods of distribution are discussed and illustrated.

As the book is designed for college freshmen who have not studied economics, attention is given to economic theory of the kind that a business man should know. If he is a bit rusty in the principles of economics, the review will be helpful.

In approaching the analysis of the marketing functions, the authors place the reader in a sufficiently critical attitude toward the present distributive system to encourage impartial thinking. They do not ask that institutions and practices be accepted because of precedence of long

standing. The subject is approached from the functional point of view with ample reference to special commodities and systems of distribution. The following functions are discussed: assembly (buying); demand manipulation (selling); transportation; storage; grading, standardization; financing; risk bearing. The term demand manipulation as a function is no doubt poorly selected as it has unfortunate implications, especially since the authors have used the term in other places in the book to indicate unethical practices.

Standardization is included as one of the functions. Possibly this is open to question since marketing news is not considered a marketing function.

A careful analysis of the types of products with the characteristics that influence their marketing is followed by a very good discussion of markets and middlemen, both of which include useful and detailed data.

There is a good chapter on commodity exchanges with a clearer than usual analysis of the hedging process. Unfortunately, hedging as carried on by the manufacturers, is not discussed. The treatment of the costs of marketing includes much specific data and gives able emphasis on turn-over, making clear the necessity of effective buying to maintain a successful stock-turn. Distributive cooperation and consumer co-operation are both very rationally covered, not too impossible results being attributed to either.

Types of trade association activities and limitations are fully presented in an interesting chapter on this form of cooperation among business men. The chapter on the relation of the government to marketing discusses the work of the Federal Trade Commission in dealing with unfair trade practices. The difficulty of government price fixing and its relation to both dealer and consumer are well presented and with sufficient illustrations.

The appendix includes such useful data, as: Distribution charts of agricultural products; a good list of sources of research information; a copy of the Agri-

cultural Marketing Act; and a splendid bibliography on marketing subjects.

Some parts of the book might be clearer in their statements. For example; "the cash discount in the ordinary terms of 2/10 net 30 offers a premium for prompt payment which amounts to an interest rate of 54 per cent a year." It is not quite clear how the 54 per cent a year is figured, as it is common practice to consider the percentage as equivalent to 36 per cent. That "*Merchandising costs are continuing to increase relative to total net sales, even within very recent years,*" is true no doubt, but is a broad statement when one considers the selling costs of chain stores. The authors make a good point in saying: "Whatever advantages chain systems possess would seem to come largely from centralized management and integration of processes, rather than from the scale of operations." While they may have purchasing in mind, the advantage in the purchasing power of the chain systems isn't clearly indicated.

The careful student of marketing will recognize the limitations of this book as it is prepared for college freshmen. This is not a criticism of the book in view of its purpose, but for the business man, this is a partial limitation. On the other hand, the executive looking for a particular point will find helpful factual material.

To the consumer and to the sales executive with marketing problems, this book will provide a profitable and up-to-date study.

JAMES R. HAWKINSON, *Assistant Dean, School of Commerce, Northwestern Univ.*

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**New Junior Business Training.** By Frederick G. Nichols. American Book Company, New York, 1930. 388 pages.

It may be rather unusual to include among the book reviews for executives a volume intended primarily for Junior High School students. The subject matter is intended to better prepare these students as junior executives and the book should be of somewhat general interest as the

training given is largely informational in character.

The purposes of the course are six in number, all of equal importance. The purposes are as follows: Personal Use, to train young people to be able properly to attend to their own business affairs in preparation for wider fields. Vocational Guidance, to train young people that there are many types of business and to give them some slight knowledge of these various types and the opportunities and lines of advancement. Prevocational, to give young people a better basis for more advanced types of business, and lead them to continue their education.

*Exploratory Courses*, to give young people some training in various simple business activities in order to assist them in finding themselves. Vocational Intelligence, to train young people in better knowledge of business relationships, responsibilities and in the need of thorough preparation as a requisite for advancement. Vocational, to give training suitable and necessary for junior students to satisfactorily fill minor positions on a part time, or co-operative basis.

With the purposes outlined in mind the author has compiled a large amount of valuable illustrative material as the basis for teaching.

Among the topics treated that usually are given little attention in junior classes are: Thrift; Budgeting; Personal Account Records; Simple Business Calculations; Filing Rules; Uses of Directories of information; The use of the telephone; besides a large number of other topics usually found in scattered volumes, here brought together in one reference volume.

The volume is well done typographically and is bound in a substantial manner that makes it an excellent elementary reference book on business, for not only the juniors, but also for those of wider experience.

Prof. Nichols has rendered a distinct service in the preparation of Junior Business Training.

E. E. SHELDON,  
*The Lakeside Press.*

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